LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7422 **DATE PREPARED:** Jan 3, 2001
BILL NUMBER: SB 253 **BILL AMENDED:**

SUBJECT: University bonding authority.

FISCAL ANALYST: Chuck Mayfield
PHONE NUMBER: 232-4825

FUNDS AFFECTED: <u>X</u> **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

<u>Summary of Legislation:</u> This bill permits state universities and colleges to issue bonds for a project without the approval of the General Assembly if the debt service on the bonds is paid entirely from funds donated to the university or college. It also permits state universities and colleges to issue bonds for up to $20,000,000 per campus for qualified energy savings projects. (Current law limits each university or college to $10,000,000 for all of the campuses of the university or college.)

<u>Effective Date:</u> July 1, 2001.

<u>Explanation of State Expenditures:</u> The bill could reduce the amount of time that universities spend between securing funding, approval, and the actual construction of a project if it funded by donations. This, in effect, could reduce the costs of these projects if the universities are not delayed in engaging in these projects. Debt would be secured by the pledges that are made to the University. The interest rates paid on the debt will be determined by the nature of the pledges and the length of time that the debt would be issued. For CY 1999 three projects totaling $15.4 M were financed without state funds and for CY 2000 four projects totaling $113.6 M were financed without state funds.

These projects would still be required to be reviewed by the Commission for Higher Education and approved by the Governor before the project could be started or the land purchased.

Under current law, capital projects must be reviewed by the Commission on Higher Education and approved by the Governor if the cost is greater than $200,000. For projects to construct buildings or facilities with a cost greater than $500,000 in value and paid by state appropriated funds or student fees, the project must be reviewed by the Commission on Higher Education and approved by the Governor and the General Assembly. (IC 20-12-5.5-2(a)(1)).

To pay for the costs of capital projects, universities may issue and sell bonds so long as the bonds are supported by mandatory fees that are assessed on all students and approved by the General Assembly. (IC 20-12-5.5-4). The General Assembly may appropriate fee replacement monies for the replacement of students fees dedicated to pay the principal and interest costs of bonds as approved by the General Assembly (IC 20-12-5.5-5).

The bill would also increase the limit on the debt issuance for qualified energy projects from the current $10 M to $20 M. Current law also limits state universities to one project per institution. This provision would permit universities to engage in one project for each campus that is in the university system. Indiana University has seven campuses in its system while Purdue University has four regional campuses.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Universities.

Local Agencies Affected:

Information Sources: Mike Baumgartner, Commission for Higher Education 464-4400